



The Abernathy Group II

Family Office



A Joint effort in
getting you back to Health

Q1

Quarterly Market Review

First Quarter 2021

Quarterly Market Review

First Quarter 2021

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the impact of globally diversified portfolios and features a quarterly topic.

Overview: 6 Questions to Increase your Investment Returns:

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Market Performance

Select Currency Performance
vs. US Dollar

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Fixed Income

Impact of Diversification

YOLO, Meme, and EMH: What's Your
Investment Style?

**Increase Your Investment Returns.
Reduce Your Risks.
6 Valuable Questions to ask your advisor.**

Wall Street and the financial advisory community may try to convince you they are experts and can predict the future of the financial markets. But, can they?

Evidence and PRUF – The Science of Investing™ clearly demonstrates that *over 90% of mutual funds, hedge funds and professionally managed products financial advisors are paid to sell investors*, have underperformed the stock and bond indexes over the last 15 years*. This glaring statistic supports the case for buying the index itself and reducing your costs, commissions, and fees paid to the advisory salespersons.

Don't believe the statistics?

If you would like to save money by paying less in fees and expenses, while reducing your risks, here are 6 questions you should ask your financial advisor BEFORE hiring the advisor.

(The answers you should demand will follow. *Brace yourself.* If you do not get the right answers, you should consider a different advisor.)

*for the 15 years ending in December 2016, more than 90% of U.S. large-cap, mid-cap and small-cap funds helmed by managers did worse than the S&P 500, according to S&P Dow Indices data.

<https://www.nerdwallet.com/article/investing/index-funds-vs-mutual-funds#:~:text=Index%20funds%20seek%20market%2Daverage,to%20be%20much%20less%20predictable>



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- 1) **Conflicts of Interest. Will you provide me with a list, in writing of all Conflicts of Interest involved in handling my account?** Advisors, like doctors, should NOT have conflicts of interest. Yet the vast majority do. Conflict disclosures on standard account agreements are usually in small type, buried in the contract. Know what you're investing in, how much you are paying, and **ALL OF THE CONFLICTS OF INTEREST BEFORE AGREEING TO ANYTHING.**
- 2) **Will you always provide the best investment at the lowest fees for my family?** *It's a yes-or-no question every investor should ask, but most do not. ASK FOR THIS ANSWER IN WRITING.* Commissions and fees are key motivators for a salesperson and what's best for the client's bottom line may not be best for the broker's — this is why clear, pointed questions are a must.
- 3) **What qualifies you to be a money manager?** Pay close attention to the answer. Impressive sounding titles, registrations, and certificates may not mean much. This is where further investigation is needed to assess the overall experience of the manager.
- 4) ***Can you produce an audited track record?** A traditional broker is a salesperson; he or she will is unlikely to have an audited track record. This means, despite fancy titles, they are not professional investors. *ALL professional investors with years of experience will be able to produce an audited track record by an independent account firm.*
- 5) **What is your complete employment history? How long have you been with your current employer?** People change jobs today more than ever before. However, if a financial advisor has had many employers, it could be a red flag. The Financial Industry Regulatory Authority and the U.S. Securities and Exchange Commission have sections on their websites to assist investors who are performing due diligence on the financial professionals they engage.
- 6) **Who do you work for? Are you a legal fiduciary at all times?** If a financial advisor works only for you, he or she will sign a fiduciary oath. If a money manager working for you and your family does not sign a fiduciary oath, that person is not working for you, and you should consider dissolving the relationship. (Ask us for a Fiduciary Oath if you do not have one.)



Seeking the circumstances most favorable to your affairs is your right.

However, it's up to you to separate what is truth and what is merely well-wrought fiction.

OSS 401K PLAN -

The national average for advisory fees is slightly over 1% per year.

The OSS 401k Plan, which is available for all employees at OSS, has fees of less than 0.2%, which is 80% less than the national average, and has no conflicts of interest of any kind.

In addition to OSS management's generous contributions to each employee's 401k Plan, the investment choices available have been specifically chosen to minimize fees and maximize investment returns.







If you have any questions or would like to discuss investment choices, retirement strategies, or the proper contribution amounts to ensure you are saving enough for retirement, please fee free to make an appointment to see Steven Abernathy at the Powder Mill Road location once in-person meetings resume and/or call 212-293-3469 for a telephone appointment.



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Quarterly Market Summary

Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
1Q 2021	STOCKS					BONDS	
	6.35%	4.04%	2.29%	6.22%		-3.37%	-1.90%
							
Since Jan. 2001							
Avg. Quarterly Return	2.4%	1.6%	3.0%	2.5%		1.1%	1.1%
Best Quarter	22.0% 2020 Q2	25.9% 2009 Q2	34.7% 2009 Q2	32.3% 2009 Q3		4.6% 2001 Q3	4.6% 2008 Q4
Worst Quarter	-22.8% 2008 Q4	-23.3% 2020 Q1	-27.6% 2008 Q4	-36.1% 2008 Q4		-3.4% 2021 Q1	-2.7% 2015 Q2

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2021, all rights reserved. Bloomberg Barclays data provided by Bloomberg.



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Long-Term Market Summary

Index Returns as of March 31, 2021

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	62.53%	45.86%	58.39%	36.05%	0.71%	1.45%
5 Years						
	16.64%	8.92%	12.07%	3.52%	3.10%	3.28%
10 Years						
	13.79%	5.21%	3.65%	6.23%	3.44%	4.22%

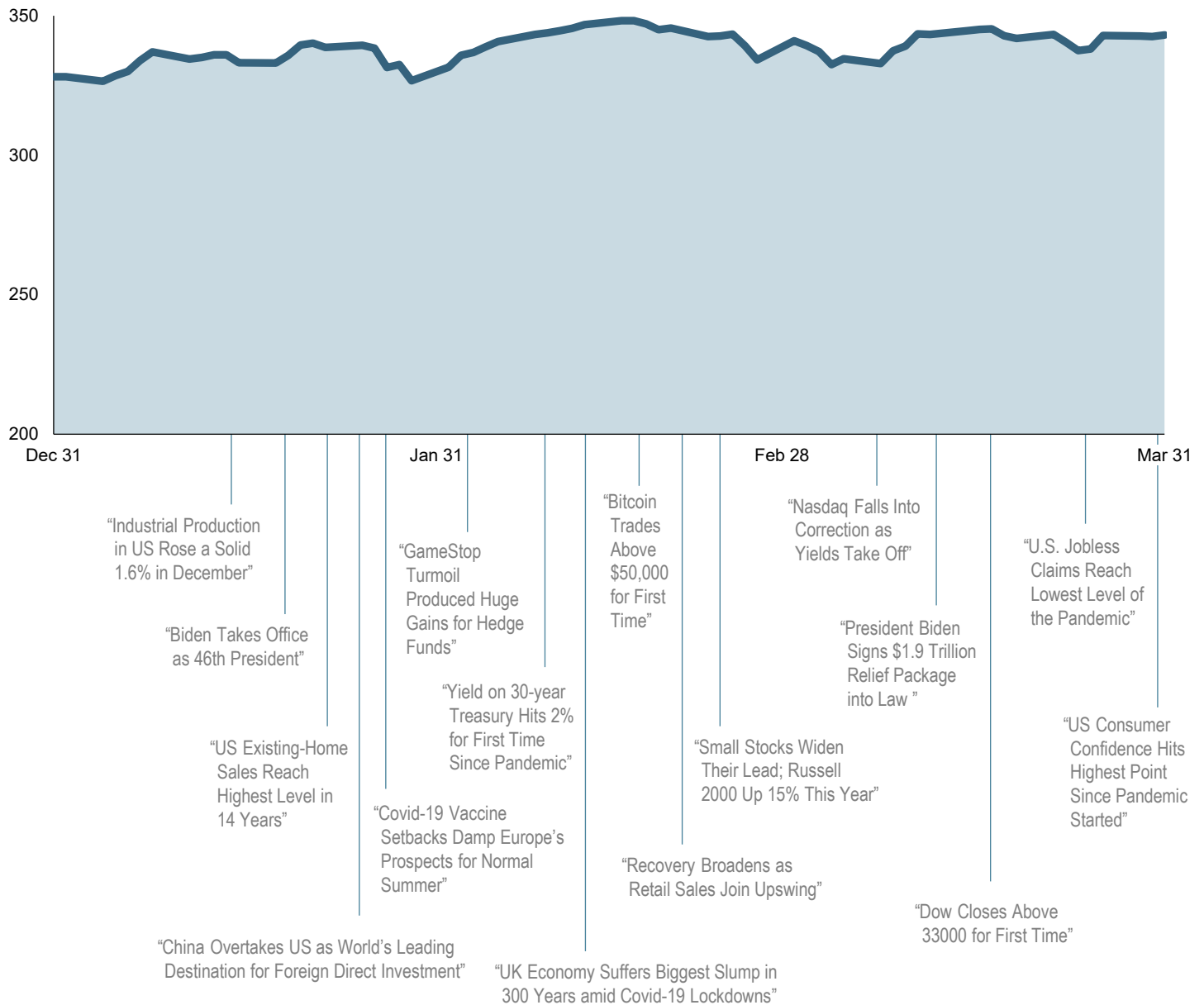
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World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2021



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, all rights reserved.

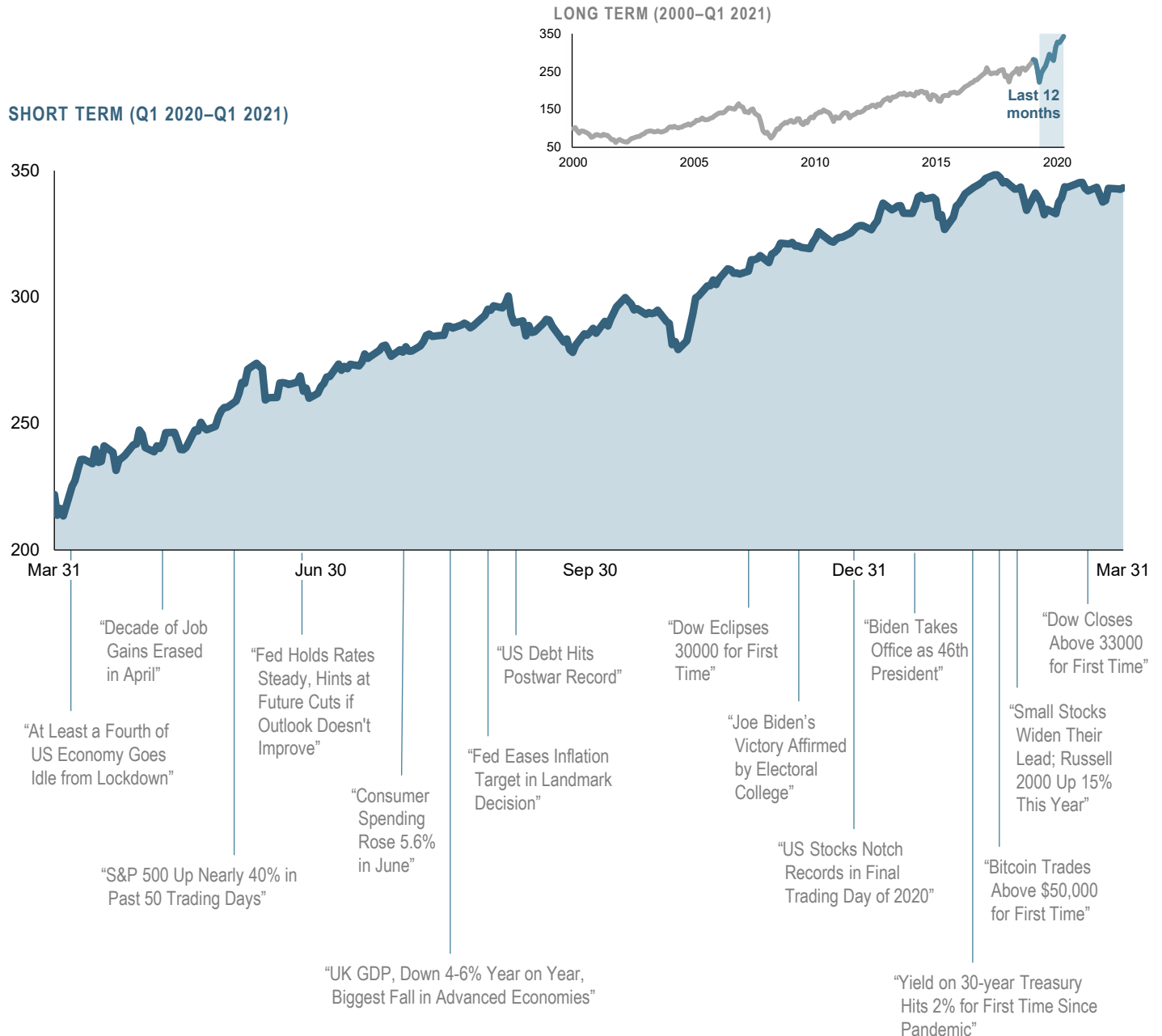
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**



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World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2021, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**



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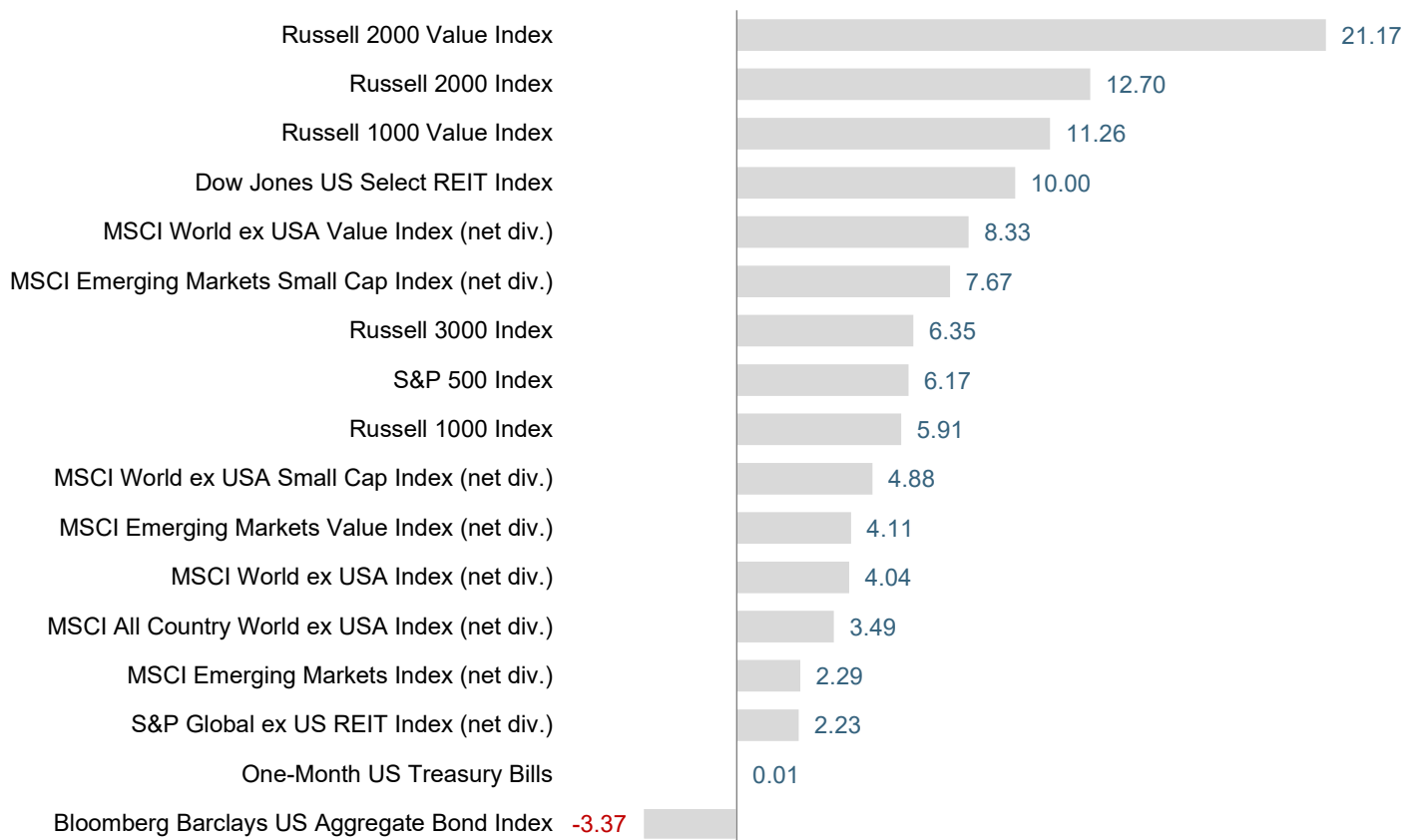
World Asset Classes

First Quarter 2021 Index Returns (%)

Equity markets around the globe posted positive returns in the first quarter. Looking at broad market indices, US and non-US developed markets outperformed emerging markets.

Value outperformed growth across regions. Small caps outperformed large caps across regions as well.

REIT indices outperformed equity market indices in the US and underperformed in non-US developed markets.



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US Stocks

First Quarter 2021 Index Returns

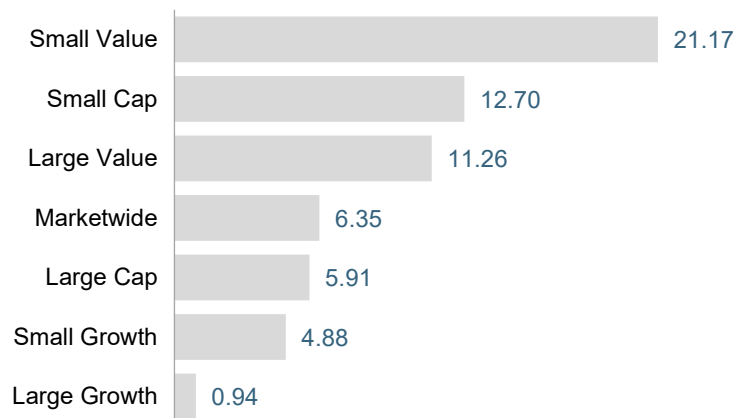
The US equity market posted positive returns for the quarter and outperformed non-US developed markets and emerging markets.

Value outperformed growth across large and small cap stocks.

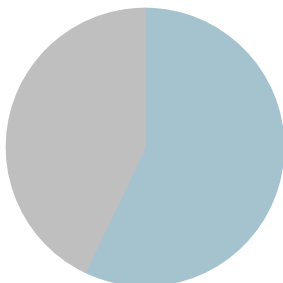
Small caps outperformed large caps.

REIT indices outperformed equity market indices.

Ranked Returns (%)



World Market Capitalization—US



57%

US Market
\$40.3 trillion

Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Small Value	21.17	97.05	11.57	13.56	10.06
Small Cap	12.70	94.85	14.76	16.35	11.68
Large Value	11.26	56.09	10.96	11.74	10.99
Marketwide	6.35	62.53	17.12	16.64	13.79
Large Cap	5.91	60.59	17.31	16.66	13.97
Small Growth	4.88	90.20	17.16	18.61	13.02
Large Growth	0.94	62.74	22.80	21.05	16.63

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. Frank Russell Company is source and owner of trademarks, service marks, and copyrights related to Russell Indexes. MSCI data © MSCI 2021, all rights reserved.



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International Developed Stocks

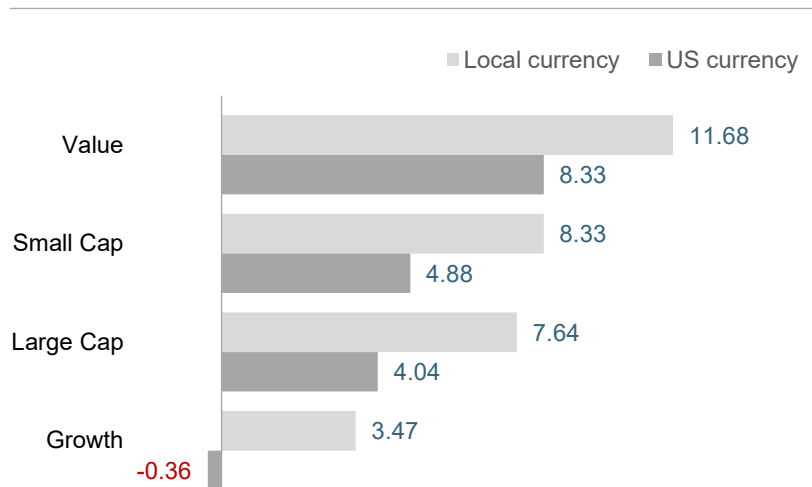
First Quarter 2021 Index Returns

Developed markets outside the US posted positive returns for the quarter, underperforming US equities but outperforming emerging markets.

Value outperformed growth.

Small caps outperformed large caps.

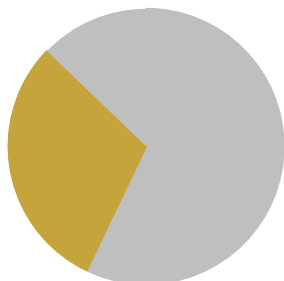
Ranked Returns (%)



World Market Capitalization— International Developed

30%

International
Developed Market
\$21.2 trillion



Period Returns (%)

Asset Class	YTD	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
Value	8.33	47.17	2.25	6.81	3.54
Small Cap	4.88	65.17	6.89	10.55	7.14
Large Cap	4.04	45.86	6.34	8.92	5.21
Growth	-0.36	43.55	10.02	10.72	6.69

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Emerging Markets Stocks

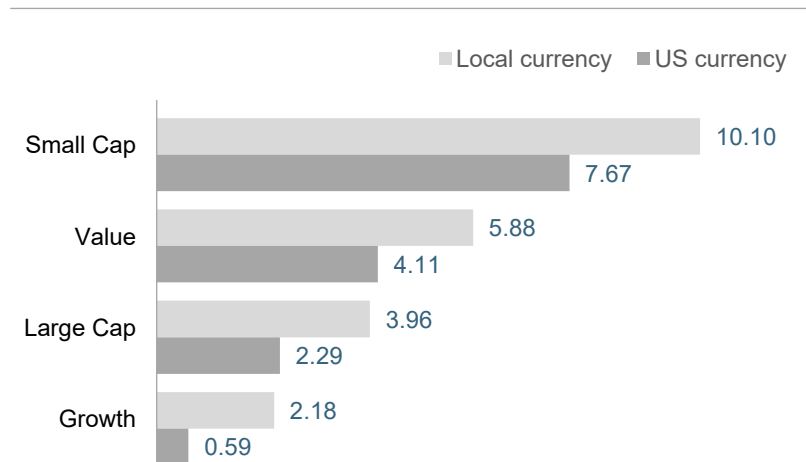
First Quarter 2021 Index Returns

Emerging markets posted positive returns for the quarter, underperforming the US and developed ex US equity markets.

Value outperformed growth.

Small caps outperformed large caps.

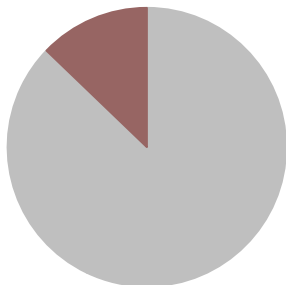
Ranked Returns (%)



World Market Capitalization— Emerging Markets

13%

Emerging
Markets
\$9.0 trillion



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Small Cap	7.67	87.13	5.19	9.59	3.33
Value	4.11	52.53	2.60	8.42	1.03
Large Cap	2.29	58.39	6.48	12.07	3.65
Growth	0.59	63.78	10.10	15.53	6.15

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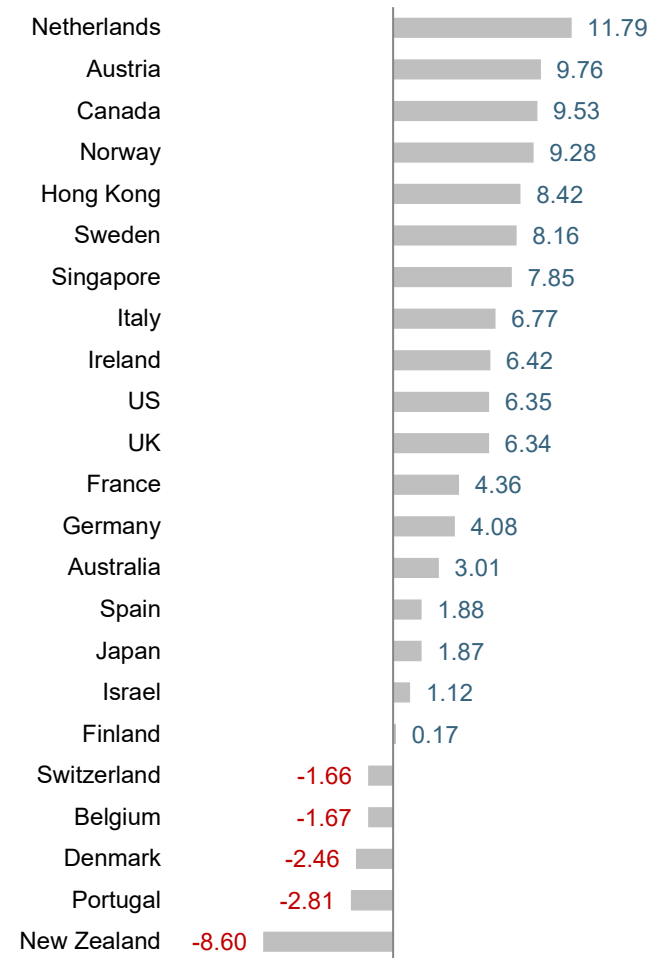


Select Market Performance

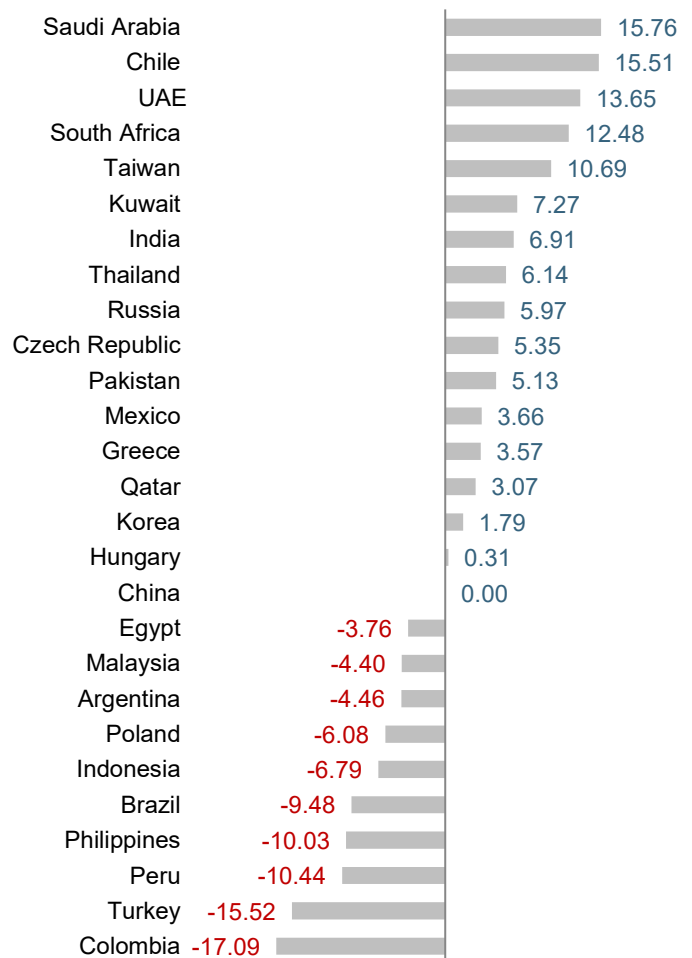
First Quarter 2021 Index Returns

In US dollar terms, the Netherlands and Austria recorded the highest country performance in developed markets, while New Zealand and Portugal posted the lowest returns for the quarter. In emerging markets, Saudi Arabia and Chile recorded the highest country performance, while Colombia and Turkey posted the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



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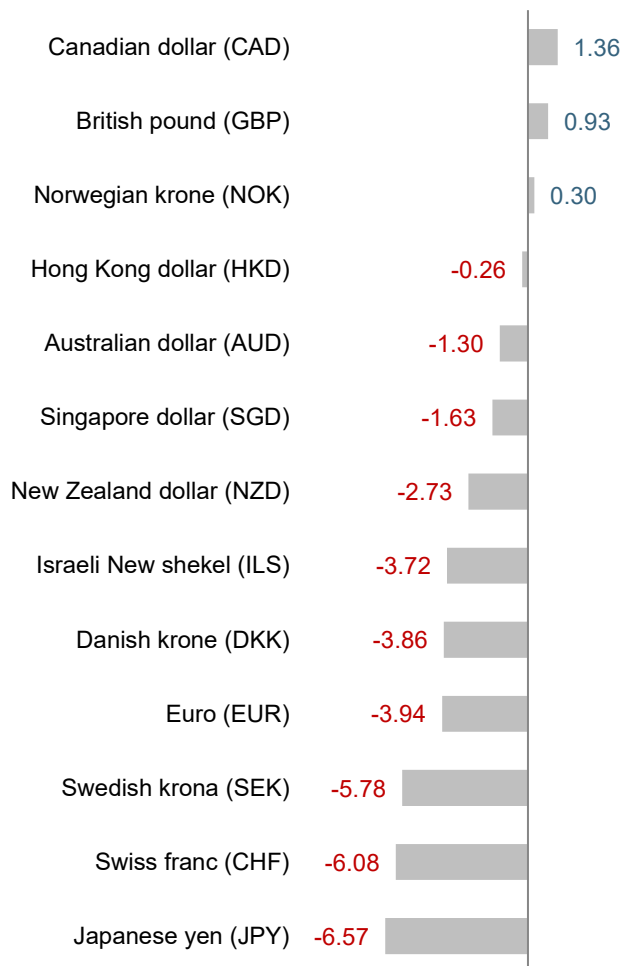


Select Currency Performance vs. US Dollar

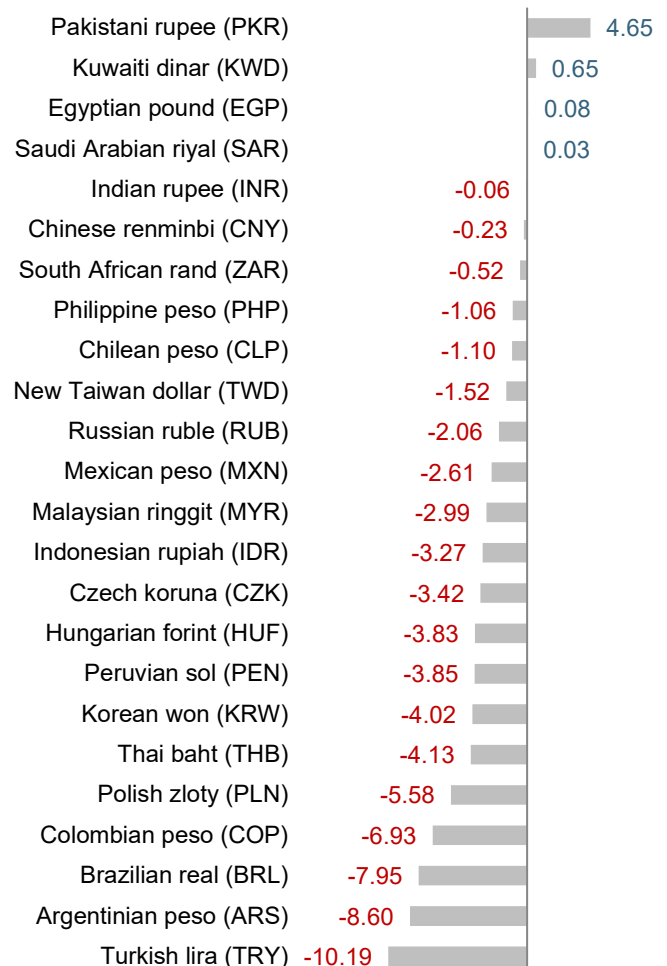
First Quarter 2021

In developed markets, most currencies depreciated versus the US dollar, except the Canadian dollar, British pound, and Norwegian krone. In emerging markets, most currencies depreciated versus the US dollar, but some, notably the Pakistani rupee, appreciated.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)

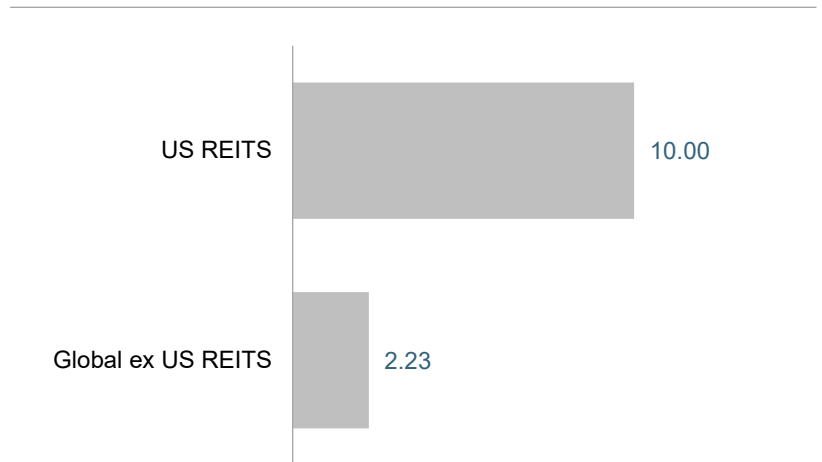


Real Estate Investment Trusts (REITs)

First Quarter 2021 Index Returns

US real estate investment trusts outperformed non-US REITs during the quarter.

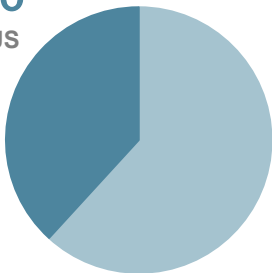
Ranked Returns (%)



Total Value of REIT Stocks

38%

World ex US
\$523 billion
278 REITs
(25 other countries)



62%

US
\$845 billion
114 REITs

Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITS	10.00	36.66	7.55	3.94	7.89
Global ex US REITS	2.23	36.18	2.12	2.92	4.74



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Commodities

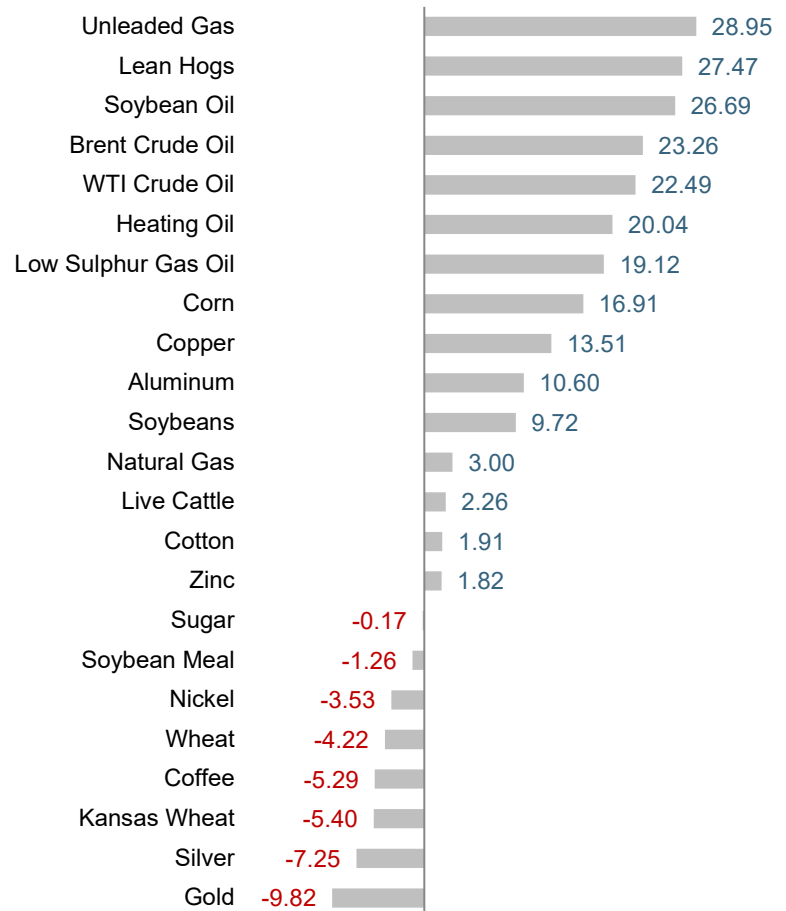
First Quarter 2021 Index Returns

The Bloomberg Commodity Index Total Return returned 6.92% for the first quarter of 2021.

Unleaded Gas and Lean Hogs were the best performers, returning 28.95% and 27.47%, respectively.

Gold and Silver were the worst performers, declining 9.82% and 7.25%, respectively.

Ranked Returns (%)



Period Returns (%)

Asset Class	QTR	* Annualized			
		1 Year	3 Years*	5 Years*	10 Years*
Commodities	6.92	35.04	-0.20	2.31	-6.28

Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

Fixed Income

First Quarter 2021 Index Returns

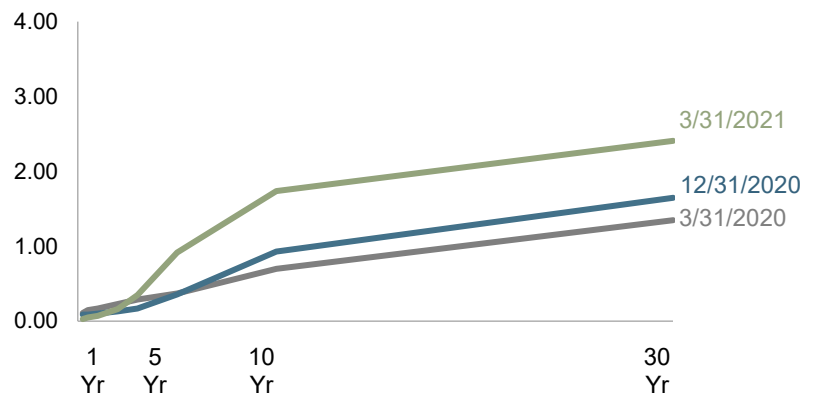
Interest rates generally increased in the US Treasury fixed income market during the first quarter. The yield on the 5-Year US Treasury note rose 56 basis points (bps), ending at 0.95%. The yield on the 10-Year T-note increased 81 bps to 1.74%. The 30-Year Treasury bond yield increased 75 bps to 2.39%.

On the short end of the curve, the 1-Month US Treasury bill yield decreased 3 bps to 0.05%, and the 1-Year T-bill yield fell 5 bps to 0.08%. The yield on the 2-Year US Treasury note climbed 6 bps to end at 0.15%.

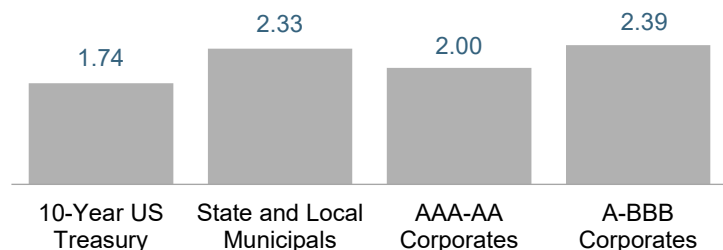
In terms of total returns, short-term corporate bonds declined 0.59%. Intermediate-term corporate bonds declined 2.19%.

The total return for short-term municipal bonds was flat, while intermediate-term municipal bonds lost 0.52%. Revenue bonds outperformed general obligation bonds.

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	*Annualized	
				5 Years*	10 Years*
Bloomberg Barclays US High Yield Corporate Bond Index	0.85	23.72	6.84	8.06	6.48
ICE BofA 1-Year US Treasury Note Index	0.07	0.17	2.14	1.52	0.92
ICE BofA US 3-Month Treasury Bill Index	0.03	0.12	1.49	1.19	0.63
Bloomberg Barclays Municipal Bond Index	-0.35	5.51	4.91	3.49	4.54
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-0.36	0.57	2.88	2.05	1.96
Bloomberg Barclays US TIPS Index	-1.47	7.54	5.68	3.86	3.44
FTSE World Government Bond Index 1-5 Years	-2.39	3.20	1.29	1.43	0.09
Bloomberg Barclays US Aggregate Bond Index	-3.37	0.71	4.65	3.10	3.44
Bloomberg Barclays US Government Bond Index Long	-13.39	-15.60	5.84	3.17	6.30

One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (S&BBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2021 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2021 ICE Data Indices, LLC. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.



Global Fixed Income

First Quarter 2021 Yield Curves

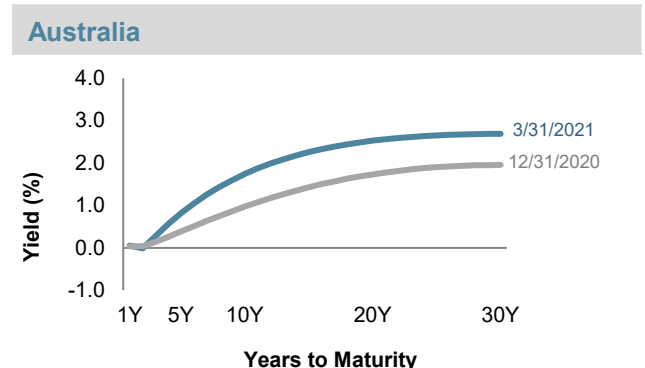
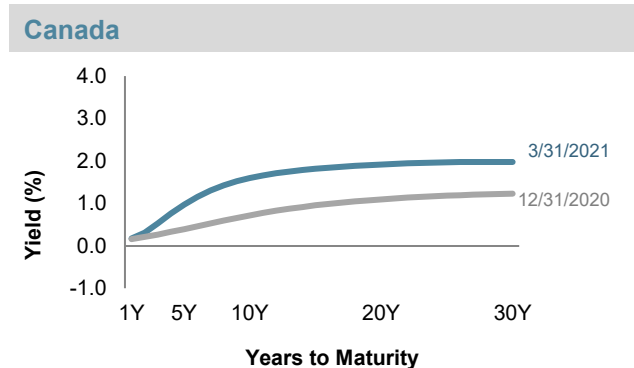
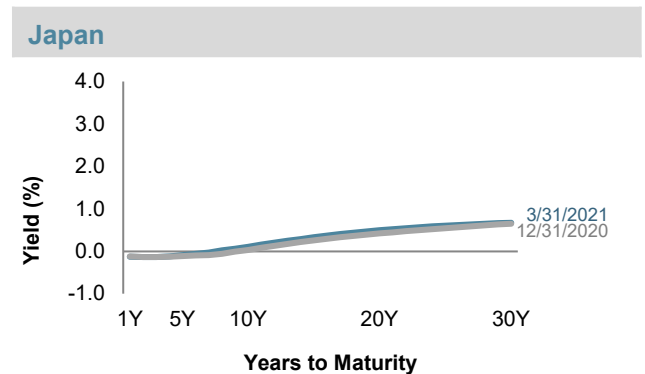
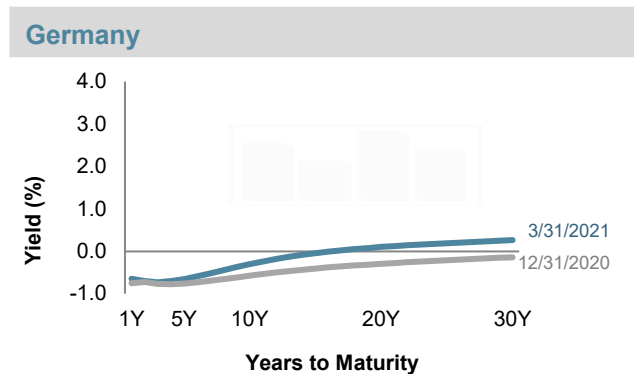
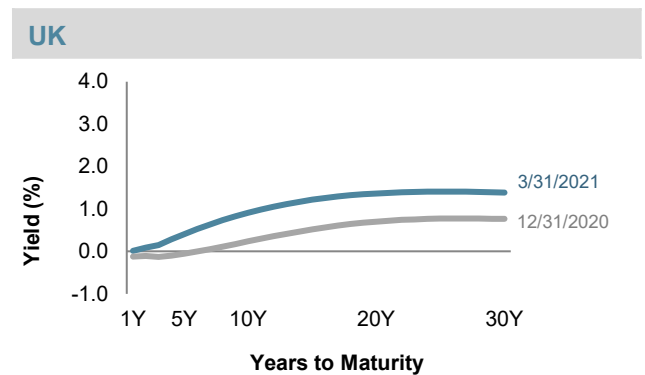
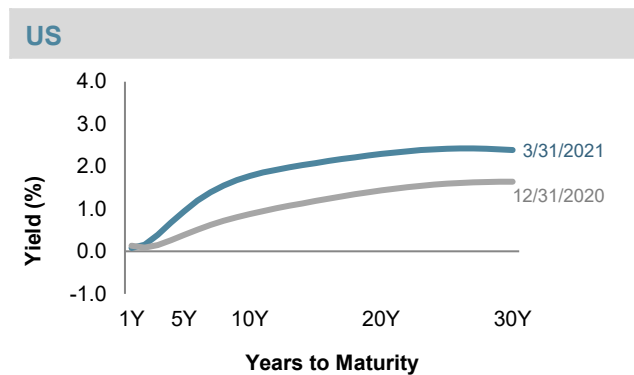
Government bond yields generally increased in the global developed markets for the quarter.

Longer-term bonds generally underperformed shorter-term bonds in developed markets.

Short- and intermediate-term nominal interest rates were negative in Japan and Germany.

Changes in Yields (bps) since 12/31/2020

	1Y	5Y	10Y	20Y	30Y
US	-4.7	56.1	89.6	86.0	74.9
UK	13.9	46.2	67.6	66.5	62.2
Germany	10.6	10.6	27.5	39.7	40.4
Japan	-1.0	2.5	7.6	7.8	2.7
Canada	1.7	57.8	88.3	82.3	74.7
Australia	2.9	43.2	76.9	79.5	73.2



One basis point (bps) equals 0.01%. Source: ICE BofA government yield. ICE BofA index data © 2021 ICE Data Indices, LLC.



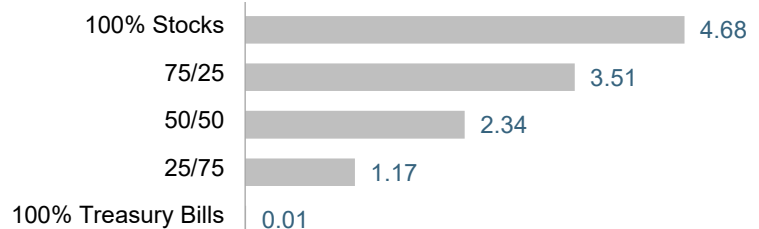
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Impact of Diversification

First Quarter 2021

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

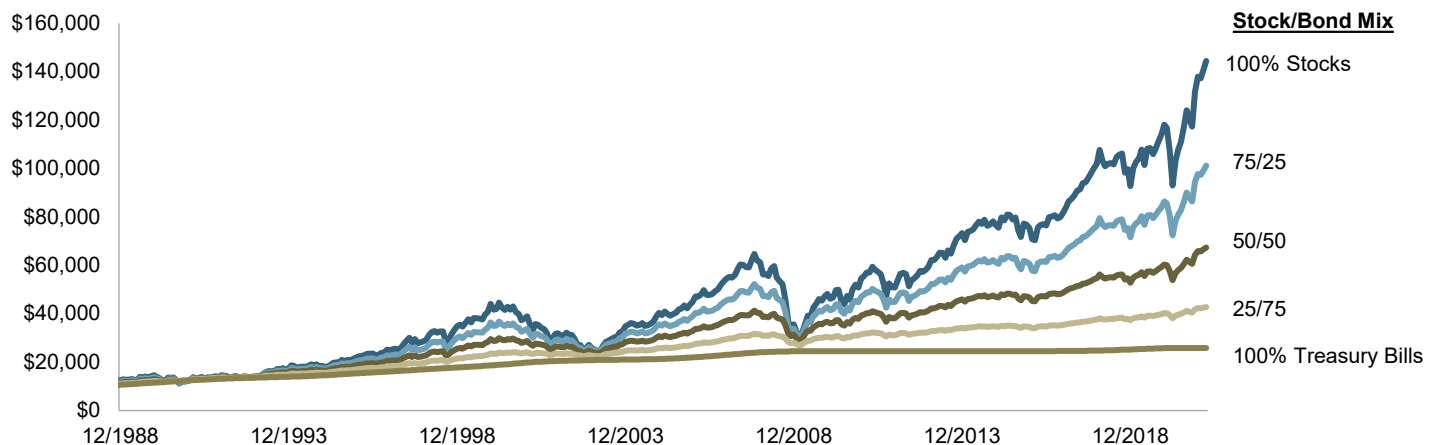
Ranked Returns (%)



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*	* Annualized
						10-Year STDEV ¹
100% Stocks	4.68	55.31	12.66	13.81	9.73	14.07
75/25	3.51	39.64	10.05	10.71	7.57	10.55
50/50	2.34	25.27	7.29	7.55	5.31	7.03
25/75	1.17	12.11	4.38	4.33	2.97	3.51
100% Treasury Bills	0.01	0.08	1.35	1.07	0.55	0.23

Growth of Wealth: The Relationship between Risk and Return



1.STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2021, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

YOLO, Meme, and EMH: What's Your Investment Style?

First Quarter 2021

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You only live once! Social media investors have banded together on unconventional platforms to drive up the prices of a handful of “meme stocks,” seemingly without traditional evaluation of investing risks and rewards. They made headlines with their “short squeeze” of GameStop (GME), and, as they garner media attention, their tactics continue. While it's not the intended victim of the YOLO traders, will the efficient market hypothesis be a casualty of these events? The answer depends a lot on your definition of efficient markets. Perhaps long-term investors would be better served questioning the potential impact on their investment philosophy.

Fama (1970) defines the efficient market hypothesis (EMH) to be the simple statement that prices reflect all available information. The rub is that it doesn't say how investors should use this information. EMH is silent on the “correct” ways investors should use information and prices should be set. To be testable, EMH needs a companion model: a hypothesis for how markets and investors should behave. This leaves a lot of room for interpretation. Should asset prices be set by rational investors whose only concerns are systematic risk¹ and expected returns? It seems implausible to link recent meme-stock price movements to economic risks. Rather, they seem fueled by investor demand to be part of a social movement, hopes to strike it rich with a lucky stock pick, or plain old schadenfreude.

There is a vast ecosystem of investors, from individuals investing in their own accounts to governments and corporations who invest on behalf of thousands. Ask investors why they invest the way they do, and you'll likely get a range of goals and approaches just as diverse. It's this complex system that generates the demand for stocks.

Another complex system fuels the supply of stocks. Supply and demand meet at the market price. People may contend that the market is not always efficient, or rational, but the stock market is always in equilibrium. Every trade has two sides, with a seller for every buyer and a profit for every loss.

There are plenty of well-studied examples that show supply and demand at work. The huge increase in demand for stocks added to a well-tracked index often creates a run-up in the stock price. Some of this price increase can be temporary and reversed once the tremendous liquidity demands at index reconstitution² are met. Index reconstitution is just one example; instances of liquidity-driven price movements happen all the time. It is well documented that liquidity demands can produce temporary price movements.³ Investors may wonder if temporary price dislocations motivated by users of r/WallStreetBets differ from those caused by changes to an index. Lots of buying puts temporary upward pressure on prices, which later fall back to “fundamental value”—it sounds familiar. The more relevant observation may be that markets are complex systems well adapted to facilitate the supply and demand of numerous market participants.

There are numerous reasons people may be willing to hold different stocks at different expected returns. Can all those differences be explained by risks? Doubtful. To quote Professor Fama, “The point is not that markets are efficient. They're not. It's just a model.”⁴ EMH can be a very useful model to inform how investors should behave. We believe investing as if markets are efficient is a good philosophy for building long-term wealth. Trying to outguess markets might be a quick way to destroy wealth.

1. Systematic risk is the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets in which he or she is involved.

2. Reconstitution involves the re-evaluation of a market index. The process involves sorting, adding, and removing stocks to ensure that the index reflects up-to-date market capitalization and style.

3. For example, see “Tesla's Charge Reveals Weak Points of Indexing” (Dimensional, 2021)

4. “Are markets efficient?” – Interview between Eugene Fama and Richard Thaler (June 30, 2016)



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YOLO, Meme, and EMH

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It's true, you only live once. The good news is that investors can look to market prices, not internet fads, to pursue higher expected returns. Theoretical and empirical research indicate higher expected returns come from lower relative prices and higher future cash flows to investors. Long-run investors can be better served by using markets, rather than chatrooms, for information on expected returns.

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